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CURRENT SUPPORT BRIEF

SINO-BURMESE ECONOMIC RELATIONS

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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SECRET

25X1

SINO-BURMESE ECONOMIC RELATIONS

The improvement in Sino-Burmese relations, which has accompanied the amicable settlement of the long outstanding border dispute, has resulted in a marked expansion in economic relations between the two countries. Climaxing the visit of a 400 man friendship delegation to Burma, China extended on 9 January an economic development credit of \$84 million, the largest assistance agreement China has negotiated in the Free World. 1/ A bilateral payments agreement also was signed by the two countries. On 27 January a five year trade agreement was concluded. Earlier, in October 1960, China had agreed to purchase 350,000 tons of Burma's 1961 rice crop which, if fulfilled, will double the level of Sino-Burmese trade in 1961 over 1960, and tend to restore the balance of trade between the two countries. 2/ These new pacts promise to reverse completely a deterioration that began in 1957 in Sino-Burmese economic relations, they afford China an opportunity to reaffirm its support of the principle of coexistence and thus to alleviate the suspicions that have developed during the past three years about China's peaceful intentions. These developments suggest that the policy of China toward underdeveloped countries of the Free World under certain conditions may be somewhat more flexible than it has been pictured in much of the literature of the past two years.

One of the key issues in the ideological and political dispute with the USSR has concerned the approach of the Communist world toward governments in the former colonial territories. In the course of the argument Chinese spokesmen have indicted the USSR with having made serious errors in carrying out its policy of providing economic support to certain underdeveloped countries. The complaints of the Chinese are based on three general propositions; (1) that the USSR has supported governments having a national bourgeois--and in some instances even an anti-communist--orientation, thereby strengthening the obstacles preventing local Communists from attaining power; (2) that the USSR has aided governments with which China was embroiled in international dispute; and (3) that the USSR has made decisions affecting the interests of China without consulting the leaders of China. The charges leveled against the USSR have not constituted a blanket denial of the wisdom of providing economic support to Free World countries, but they have been intended to show that in the conduct of its program of foreign aid the USSR has often failed to fulfill its obligations as the ideological leader of the Socialist world.

In seeking to make more cordial its relations with Burma, China seems to have acted in the belief that its image in Southeast Asia had lost its peaceful lustre as a result of the border clashes and other incidents of the past three years, a loss which has hindered achievement of political goals important to China. In order to correct this impression China has been willing to associate itself on an assertively friendly basis with a government that is emphatic in its neutralism. This suggests that Chinese policy does not always insist that recipients of economic assistance from Communist countries be receptive to free movement of local Communist organizations, and that other practical considerations are at times of greater importance. There is no cause for anticipating, however, that China will show an equally compromising attitude towards neutral national bourgeois governments in underdeveloped countries outside of Asia or towards India, either in its own action or in sanctioning Soviet behavior. Although China may not oppose the extension of Soviet aid to Free World governments in Asia, it undoubtedly

7 February 1961

CIA/RR CB-61-6

Page 2

SECRET

25X1

SECRET

will continue insisting that such aid be given in furtherance of, or at least not to the detriment of, Chinese interests in the area.

The economic assistance agreement signed on 9 January, concluding the visit of the largest official delegation yet sent by Communist China to the Free World, calls for an interest-free credit of \$84 million. The credit is to be made available from 1 October 1961 to 30 September 1967 with Burmese repayment in the export of goods or foreign currency during the period from 1971 to 1980. Under the terms of the credit, Communist China will export machinery and complete sets of equipment, among which two cotton-spinning factories and a paper mill have been mentioned. China will also supply technical experts and train Burmese technical personnel. Chinese technicians serving in Burma will be compensated at rates not exceeding the living expenses of Burmese personnel of equal rank.

On 27 January a five-year trade agreement was concluded in Peiping. Burma is to export rice, beans, salt, and potatoes and will receive light and heavy machinery and consumer goods from Communist China. The rice sale of October 1960, was the largest rice deal Burma has concluded with Communist China--about twice the annual shipments provide for under the barter trade arrangements which expired in 1957. China agreed to purchase about 350,000 long tons of rice from the 1961 crop, at prices ranging from about \$92-113 per ton depending on the grade of the rice. 3/ If fully implemented, this purchase (amounting to about \$35 million) would account for 20 percent of Burma's likely total rice exports in 1961, and China would rival and possibly surpass India as Burma's most important customer. China will be in a better position as a result of the agreement to fulfill its export commitments to Ceylon, Cuba, and certain Bloc countries.

The conclusion of such a large contract for 1961 will pave the way for a substantial rise in the level of Sino-Burmese trade (see Table); of particular importance to Burma, however, the implementation of this agreement will bring Sino-Burmese trade closer to balance, thereby narrowing the outflow of sterling to Communist China. Chinese purchases of Burmese rice have declined sharply in recent years; after the large purchases of rice in the period from 1955 to 1957, Sino-Burmese trade has consisted almost entirely of Chinese exports for which Burma has paid cash. The rapidly mounting trade deficit with China led Burma to cancel its payment agreement with China prior to its expiration in April 1957, as Burma could see no advantage in continuing the arrangement. Trade was then carried on under an agreement concluded in February 1958 which provided for the simpler procedure of direct payment in pound sterling.

Burma experienced even larger deficits, however, under this cash arrangement, primarily because China cut imports by more than 80 percent. Moreover, while an agreement was reached in December 1959 providing for a multilateral settlement through the USSR of about \$2,750,000 of Burmese debts to China, acquired during the years when bilateral accounts were in effect, some other past trade debts apparently have been paid in sterling during the past 2 years. 4/ Thus, probably more than \$45 million in sterling has been obtained by China from Burma since 1957, representing about \$15 million annually from current trade and an estimated \$1.5 million in settlement of past bilateral accounts.

Formal arrangement for facilitating balanced trade movements have been established by the payments agreement of January 1961, an arrangement of greater flexibility than those in the past. This new

7 February 1961

CIA/RR CB-61-6

Page 3

SECRET

25X1

SECRET

25X1

agreement provides for a swing balance of \$1.4 million with settlement of accounts at the end of each fiscal year. Any balances exceeding the swing limit will be settled by the debtor party within six months by deliveries of goods or payment in a mutually agreed upon foreign currency. 5/ This agreement, however, just as past clearing arrangements between the two countries will be functional only to the extent that China is willing to continue purchasing Burmese rice.

7 February 1961

CIA/RR CB-61-6

Page 4

SECRET

25X1

TRADE BETWEEN COMMUNIST CHINA AND BURMA: 1954-1960 1/
(Million US Dollars)

Page 5

	1954	1955	1956	1957	1958	1959 ^{2/}	1960
China imports from Burma	0.097	17.490	14.400	10.157	1.507	1.946	0.560
China exports to Burma	0.542	2.296	21.391	12.737	17.880	15.399	15.414
Total turnover	0.639	19.786	35.791	22.894	19.387	16.345	15.974
Balance of trade (China surplus +, China deficit -)	+ .445	-15.194	+ 6.991	+ 2.580	+16.373	+11.703	+ 14.854

CIA/RR CB-61-6

^{1/} In order to approximate mainland China's trade for the calendar year, allowance has been made for transportation time. Sino-Burmese overland trade was believed to be insignificant. Data for 1954-59 include all monthly figures, data for 1960 are for January-July only from Port of Rangoon. Trade prices are from Burmese exports f.o.b. and Burmese imports c.i.f.

^{2/} Based on information from other sources, Burma's sterling deficits in the period from 1954-57 were larger than the above balances indicate. Settlement of these past deficits in the period from 1958-60 have resulted in increased sterling earnings by Communist China not reflected in the above table.

SECRET

25X1

SECRET

25X1

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